



Patrick W. Henning, Director



Arnold Schwarzenegger
Governor

November 7, 2008
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Mr. Phillip L. Dunn, Executive Director
Foothill Employment and Training Consortium
1207 East Green Street
Pasadena, CA 91106

Dear Mr. Dunn:

WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2007-08

This is to inform you of the results of our review for Program Year (PY) 2007-08 of the Foothill Employment and Training Consortium's (FETC) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Mr. David Davis from June 23, 2008 through June 27, 2008. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, cost/resource sharing, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, and contract terms and agreements and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by FETC with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2007-08.

We collected the information for this report through interviews with representatives of FETC, a review of applicable policies and procedures, and a review of documentation retained by FETC for a sample of expenditures and procurements for PY 2007-08.

We received your responses to our draft report on September 5, 2008, and via e-mail on October 30, 2008, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed the finding cited in the draft report, no further action is required at this time. However, this issue will remain open until we verify the implementation of your stated corrective action plan during a future onsite review. Until then, this finding is assigned Corrective Action Tracking System (CATS) number 80163.

BACKGROUND

The FETC was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2007-08, FETC was allocated: \$470,226 to serve 125 adult participants; \$477,817 to serve 125 youth participants; and \$451,021 to serve 125 dislocated worker participants.

For the quarter ending March 31, 2008, FETC reported the following expenditures and enrollments for its WIA programs: \$299,932 to serve 117 adult participants; \$485,885 to serve 108 youth participants; and \$353,813 to serve 116 dislocated worker participants.

FISCAL REVIEW RESULTS

While we concluded that, overall, FETC is meeting applicable WIA requirements concerning financial management; we noted an instance of noncompliance in the area of accrual reporting. The finding that we identified in this area, our recommendation, and FETC's proposed resolution of the finding is specified below.

FINDING 1

Requirement: 20 CFR 667.300 (c)(3) states, in part, reported expenditures and program income must be on the accrual basis of accounting and cumulative by fiscal year of appropriation. 29 CFR 97.20 (b)(1) states, in part, that accurate, current, and complete disclosure of the financial results of financial assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. Directive WIAD06-4 states, in part, that all WIA grant recipients are required to report expenditures on an accrual basis and must submit quarterly expenditure reports.

Observation: The FETC's Job Training Automation (JTA) expenditure report for the quarter ending March 31, 2008, and its internal accounting documents do include accrued costs. However, the sample

invoices reviewed for expense payments do not have a line item for reporting accruals, and we could not find any documents to show that its subrecipients were reporting accruals

Recommendation: We recommended that FETC provide a corrective action plan to the Compliance Review Division stating how it will ensure that, in the future, FETC's subrecipients report accrued expenditures to FETC, who will then report these accrued cost to the State.

FETC Response: On September 5, 2008, FETC faxed a copy of their Corrective Action Plan and a copy of the form they will require its subrecipients to use for reporting accruals on their quarterly expenditures reports. However, the form did not have a clearly identified line item for reporting accruals. Subsequently, on October 30, 2008, FETC sent a revised form with a line item clearly identified for accruals.

State Conclusion: The FETC's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, FETC's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 80163.

PROCUREMENT REVIEW RESULTS

We concluded that, overall, FETC is meeting applicable WIA requirements concerning procurement.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Division your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than December 10, 2008. Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Division
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

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Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is FETC'S responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain FETC's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mr. Jim Tremblay at (916) 654-7825 or Mr. David Davis at (916) 654-8332.

Sincerely,

A handwritten signature in black ink, appearing to read "Jessie Mar", with a large, stylized loop at the end.

JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Division

cc: Jose Luis Marquez, MIC 50
Don Migge, MIC 50
Daniel Patterson, MIC 45
Georganne Pintar, MIC 50
Larry Scaramella, MIC 50